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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1940.

No. 786.

CHERRY-BURRELL CORPORATION and
THE GIRDLER CORPORATION,
Petitioners-Defendants,

vs.

THE CREAMERY PACKAGE MANUFACTURING
COMPANY,
Respondent-Plaintiff.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

I. STATEMENT.

Petitioners' Summary and Statement of Matter Involved needs correcting and supplementing. Certain facts should be emphasized, which petitioners have not done, so that the issues raised by the Petition can be determined in the light of these facts. An important fact is that petitioners and respondent have since 1936 been dealing at arm's length as open and bitter antagonists respecting respondent's right to manufacture and sell its ice cream freezers. This culminated in January, 1940, in adjudications in favor of respondent in the case of *Girdler Corporation and*

Cherry-Burrell Corporation v. *Abbotts Dairies, Inc.*, 24 F. Supp. 551 (1938); affirmed in 106 F. (2d) 998 (C. C. A. 3). This case will be discussed further.

Nature of the Case and Decisions of the Courts Below:

No questions of federal law are presented by the Petition which need to be settled or clarified by this Court and regarding which there is any conflict of decision between the several Circuit Courts of Appeals. Nor does the Petition present any question of wide and general public interest.

Respondent, in its Complaint filed in the Delaware District Court, seeks an adjudication by way of the Declaratory Judgment Act of its right to continue to manufacture, use, and sell its ice cream freezers without paying tribute under petitioners' Reissue patent No. 21,406, the original of this patent (No. 1,783,864) having been previously adjudicated to be invalid because of lack of invention over the prior art when these same ice cream freezers were in issue in the aforementioned patent infringement suit between the same parties (Rec. pp. 4-5; pars. 8, 9, 10, and 11)* Respondent here challenges the validity of petitioners' Reissue patent, and further asserts that, if this patent is adjudicated to be valid, then it is not infringed by respondent's ice cream freezers.

In February, 1936, petitioners filed in the District Court for the Eastern District of Pennsylvania a patent infringement suit against Abbotts Dairies, Inc., of Philadelphia, Pa., a *customer of respondent*, which was using an ice cream freezer manufactured and sold to it by respondent prior to 1936. This suit charged Abbotts Dairies, Inc., with infringement of several patents, including original patent No. 1,783,864 issued to Vogt on December 2, 1930.

* This is the case of *Girdler Corp. and Cherry-Burrell Corp.* v. *Abbotts Dairies, Inc., supra.*

Petitioners in the *Abbotts Dairies* case appeared as joint plaintiffs because The Girdler Corporation was the owner of the patents and Cherry-Burrell Corporation was the exclusive licensee thereunder. They appear in the case at bar in the same relationship respecting Reissue patent No. 21,406.

Respondent openly and avowedly defended in the *Abbotts Dairies* case (Judgment, Rec. p. 37). The District Court, Judge Kirkpatrick sitting, adjudged that the alleged invention of patent No. 1,783,864 was anticipated in all respects by the prior art, and that the patent claims in suit, namely, claims 3 and 5,* were invalid (Rec. p. 37). The opinion of the District Court is reported in 24 F. Supp., page 551 (1938). Petitioners perfected an appeal to the Circuit Court of Appeals for the Third Circuit, and that Court, in a *per curiam* memorandum, reported in 106 F. (2d), page 998, affirmed in all respects the District Court. The mandate issued January 11, 1940 (Rec. p. 4).

It was because of these adjudications invalidating the original patent No. 1,783,864 that the Reissue patent No. 21,406 here involved was sought *more than nine years after the grant of the original patent.*†

The litigation involving the original Vogt patent No. 1,783,864 was a protracted and costly one (Rec. p. 30). Upon its termination respondent believed that its right to manufacture, use, and sell its ice cream freezers, which had been on the market continuously since prior to 1936, had been finally and unequivocally established as against any contentions that the right to manufacture, use, and

*Claims 3 and 5 of the original Vogt patent were the only claims of that patent in suit. Therefore, when we refer herein to the Vogt invention being anticipated by the prior art and the Vogt patent being void and invalid, our remarks are directed to these two claims.

†The statute authorizing the reissue of defective patents is 35 U. S. C. Sec. 64 (R. S. 4916). This statute is quoted in Appendix A of this brief.

sell was in violation of any rights that petitioners might have under this Vogt patent.

On January 17, 1940, six days after the issuance of the mandate of the Court of Appeals in the *Abbotts Dairies* case, petitioner, The Girdler Corporation, as assignee of the original Vogt patent, filed in the United States Patent Office an application for a reissue of that patent, which application matured on March 19, 1940, into Reissue patent No. 21,406, the patent upon which respondent's Declaratory Judgment Action is bottomed.

During the pendency of this application for reissue of the Vogt patent, The Girdler Corporation, on February 20, 1940, entered a formal disclaimer of the subject matter of claims 3 and 5 of the original Vogt patent No. 1,783,864 (the claims that had been invalidated in the *Abbotts Dairies* case) under the provisions of United States Statutes 35 U. S. C. A., Sections 65 and 71* (Rec. p. 5, par. 13; p. 58).

In a letter of March 20, 1940 (Rec. pp. 56-57), the day after the grant of the Vogt Reissue patent No. 21,406, petitioner, The Girdler Corporation, notified respondent that it was infringing this Reissue patent by manufacturing and selling the identical ice cream freezer attacked in the previous *Abbotts Dairies* case and *threatened to take legal action against respondent*. In a letter of March 22, 1940, the petitioner, Cherry-Burrell Corporation, hinted rather broadly to respondent as to the possibility of further costly and annoying litigation if a compromise were not speedily effected (Rec. pp. 57-58).

In the said letter of March 20, 1940, from Clair W. Fairbank, counsel for The Girdler Corporation and one of the attorneys who signed the instant Petition and who was actively in charge of petitioners' prosecution of the earlier *Abbotts Dairies* case, it is stated that:

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* These statutes are quoted in Appendix B of this brief.

"The purpose of this letter is to notify you of the grant of the Reissue patent and your infringement thereof, and to *specifically notify you that unless infringement ceases, it will be necessary to take legal action.*"* (Rec. p. 25, Ex. A.)

This quoted portion of Mr. Fairbank's letter is not emphasized in either the Petition or petitioners' brief. This letter of March 20, 1940, written by a lawyer to Mr. Wallis, a layman, also stated that:

". . . the Court held that claims 3 and 5 of that patent [the Vogt original patent] would be infringed, if valid, but were too broad or indefinite to properly define over Meisenhelter, . . ."

This is an incorrect statement, because the Courts held that claims 3 and 5 of the original Vogt patent were invalid because the *Meisenhelter patent anticipated Vogt at all points* (24 F. Supp. 551, pp. 556 and 557).†

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*Emphasis supplied throughout unless otherwise indicated.

†Judge Kirkpatrick's opinion, referred to in the second footnote on page 3 of the Petition, contained the following language:

"Claim 3 may be dismissed very briefly. The reasons for holding it invalid will probably be amplified in the discussion of claim 5, and it need be said here only that, in my judgment, it is fully anticipated by the Meisenhelter patent (1,113,807) and the related prior uses.

. . . . . .

"I therefore hold claim 3 invalid as anticipated.

"Claim 5 is a narrower claim. . . .

. . . . . .

"The question to be determined thus becomes very simple. Prior to Vogt, was there disclosed or practised a continuous method of freezing ice cream under pressure in which the amount of air incorporated into the product could be adjustably controlled by a pressure method of incorporating the air into the mix prior to freezing?

"I am of the opinion that the Meisenhelter patent and the manufacture of ice cream commercially by freezers made in substantial conformance with it, fully anticipates the process of claim 5. . . .

"The Meisenhelter patent is for a machine and not a process, but if constructed and used in accordance with the specification the 'Vogt process' would necessarily be followed. Thus the disclosure, even without the testimony as to its commercial operation, is sufficient to anticipate the Vogt patent" (pp. 554, 555).

Speaking of the fact that the Meisenhelter patent had been cited against the Vogt patent application by the Patent Office, the Court said (p. 557):

". . . *The plain fact is that, though the Meisenhelter patent anticipated him at all points,* he somehow managed to convince the Examiner that it did not."

In the said letter of March 22, 1940, Mr. Cherry, president of the Cherry-Burrell Corporation, concurred, at least by implication, in the charge of infringement and the threat to take legal action that were contained in the Fairbank letter of March 20. The letter of March 22 (Rec. p. 27, Ex. C) reads in part as follows:

> "I would like it very much if some way could be found to adjust our *differences. Lawsuits are very expensive and very annoying.*"

This letter also bristles with the urge that haste is all important. It suggests a meeting "at the very earliest opportunity" and expresses the hope that the solution of the problem engendered by the newly issued Vogt patent "can be quickly worked out."

We emphasize here the above portions from the letters of March 20 and 22, because we believe that they, in the light of the above-recited background of which these letters form a part, establish that a justiciable controversy then existed between the owner of the Vogt Reissue patent and the exclusive licensee thereunder, on the one hand, and the manufacturer of the challenged ice cream freezer, The Creamery Package Mfg. Company, on the other hand. *Both the Delaware District Court and the Court of Appeals so held in their opinions.* The Court is now asked to review concurring rulings by the Courts below on the foregoing facts which establish that a justiciable controversy existed between the parties at the time of the commencement of respondent's Declaratory Judgment action.

Mr. Wallis, on behalf of respondent, then wrote the letters of March 25, 1940 (Rec. pp. 26 and 27, Exs. B and D). Without further ado, respondent filed the Complaint on March 27, 1940, in the Delaware District Court (Rec. pp. 2-10).

Subsequently, to-wit, on April 10, 1940, petitioners filed their infringement suit against respondent (Rec. pp. 33-

36) in the Illinois District Court, charging infringement of the Vogt Reissue patent No. 21,406 by reason of respondent's having continued to manufacture and sell the same ice cream freezer that was involved in the *Abbotts Dairies* case wherein the courts of the Third Circuit had held that the original Vogt patent No. 1,783,864 was invalid and void because it lacked patentable invention.

Thus the issues presented for adjudication in respondent's Declaratory Judgment action in the Delaware District Court and in petitioners' infringement action in the Illinois District Court are the same. The Circuit Court of Appeals so held (Rec. p. 59).

On April 13, 1940, petitioners filed their motion to dismiss the Complaint in the Delaware action or, in the alternative, for a summary judgment (Rec. pp. 23-24). As grounds for their motion, petitioners allege in varying language that no actual controversy is set forth in the Complaint and that no actual controversy existed at the time the Complaint was filed. Accompanying petitioners' motion were two affidavits: one by Walter L. Cherry (Rec. p. 28), executed in Illinois on April 12, 1940, and one by Clair W. Fairbank (Rec. pp. 24-25), executed in Delaware on April 11, 1940.

These two affidavits merely identify the various letters of March 20, March 22, and March 25 as constituting the only communications between the respondent and the petitioners prior to the filing of respondents' Complaint in the Delaware District Court and subsequent to the grant of the Vogt Reissue patent No. 21,406 on March 19, 1940.

There was no suggestion whatsoever in petitioners' motion papers that respondent's Complaint should be dismissed in the exercise of the Court's discretion because of lack of good faith or unclean hands on the part of respondent.

On April 23, 1940, respondent filed its affidavits in opposition to petitioners' motions. The affidavit of Geo. W.

Hansen (Rec. pp. 31-33) establishes that petitioners' Illinois infringement action, not mentioned in petitioners' motion papers, was filed on April 10, 1940, and involves the same parties. Accompanying the Hansen affidavit were certified copies of petitioners' Complaint filed in the Illinois infringement suit (Rec. pp. 33-36) and the Judgment entered in the *Abbotts Dairies* case that invalidated the original Vogt patent (Rec. pp. 37-38). The affidavit of George E. Wallis, president and general manager of respondent (Rec. pp. 30-31), establishes the above-recited facts relative to respondent's defense and conduct of the *Abbotts Dairies* case on the original Vogt patent, that the respondent has continued and is continuing to manufacture the *same* ice cream freezer as was involved in the *Abbotts Dairies* case, and that respondent will be irreparably damaged unless its rights to continue such manufacture and sale are promptly adjudicated.

On May 3, 1940, pursuant to motions brought in the Illinois infringement suit by respondent, defendant there, an order was entered by Judge Woodward staying all proceedings in that action pending final disposition of the Declaratory Judgment action pending in the Delaware District Court (Rec. p. 43).

The Decisions of the Courts Below:

The District Court.—In the opinion of the District Court (Rec. pp. 45-49), Judge Nields found, contrary to the grounds relied upon in petitioners' motion papers, that an *actual justiciable controversy existed between the parties at the time that respondent's Complaint was filed* but he, in the purported exercise of his discretion, nevertheless granted the motion to dismiss. While the opinion does not definitely state the grounds upon which the Court based its purported exercise of discretion, Judge Nields discussed two points: first, the fact that the subsequently-filed Illinois

infringement suit against respondent was brought three weeks after the notice of infringement contained in the Fairbank letter of March 20, 1940, and second, the fact that respondent had not communicated with petitioners subsequent to Mr. Wallis's letters of March 25, 1940, and prior to the filing of the Complaint by respondent.

With respect to the second point, Judge Nields held that Mr. Wallis's two letters implied an undertaking by respondent to withhold action until after some further communication to petitioners, and that the filing of the Complaint with no further communication from respondent could not be reconciled with good faith and was not consistent with equity and good conscience. From Judge Nields's reference in his opinion to the case of *Railroad Company* v. *Soutter*, 13 Wall. 517, 523, it appears that he, in dismissing the Complaint, invoked the equitable maxim of Unclean Hands.*

From Judge Nields's Order dismissing respondent's Complaint, appeal was taken to and prosecuted before the Court of Appeals for the Third Circuit (Rec. p. 50).

The Circuit Court of Appeals.—The Court in its opinion (Rec. pp. 55-60) filed November 30, 1940, reversed the Order of the District Court and remanded the cause, with direc-

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* In the second footnote on page 3 of the instant Petition, reference is made to the *Abbotts Dairies* case *supra*. The only relevant matter in the said footnote is that pertaining to the fact that the claims of the original Vogt patent No. 1,783,864 were adjudicated by the courts to be invalid and void. Pursuant to this invalidation on the ground that these claims were anticipated by the prior art, the claims were formally disclaimed and the application for reissue was filed in the Patent Office which eventuated into Reissue patent No. 21,406. This application for the reissue of the Vogt patent was filed *nine years after the grant of the original patent and more than four years after respondent's ice cream freezers had been manufactured, publicly used, and sold.*

The said footnote in the Petition states gratuitously that this reissue patent issued with new and narrower claims. Respondent denies this, and has stated in its Complaint that claims 1, 2, and 3 thereof,—the claims specifically mentioned in the Fairbank letter of March 20,—are for the same alleged invention as claims 3 and 5 of the original patent, differing therefrom only in verbiage (Rec. p. 5, par. 11). Claims 3 and 5 of the origical Vogt patent are quoted in Judge Kirkpatrick's decision at 24 F. Supp. 552, and claims 1, 2, and 3 of the Vogt reissue patent are found in the record here at pages 17 and 18.

tions to reinstate the action. The Court, Judges Biggs, Maris, and Goodrich sitting, *held with Judge Nields that all the elements of a controversy essential to a Declaratory Judgment action were present when respondent was notified by The Girdler Corporation in the letter of March 20th that respondent's ice cream freezer infringed the Vogt Reissue patent and warned of an infringement suit* (Rec. p. 60).

The Court also held that the granting or refusal of relief under the Declaratory Judgment Act, while within the sound discretion of the Court, is a judicial discretion and is reviewable on appeal. Further, the Court, after discussing the facts as hereinabove related and giving consideration to the true relationship of the parties, which was certainly not one of mutual trust and reliance, as evidenced by the parties having dealt with each other at arm's length and as open and bitter antagonists in the previous *Abbotts Dairies* case, concluded that the District Court took a completely unrealistic view of the two letters written by respondent in reply to the letter of March 20 from The Girdler Corporation that threatened suit, and the letter of March 22 from the Cherry-Burrell Corporation that hinted rather broadly of the possibility of further costly litigation.

The Court also found that, inasmuch as the same parties, the same issues, and the same legal principles were involved in the Delaware Declaratory Judgment action as in the Illinois infringement suit, petitioners have not been deprived of any rights inasmuch as they are not entitled as of right to an adjudication of the issues by the District Court of Illinois rather than the District Court of Delaware.

II. JURISDICTION.

On page 5 of the Petition a list of cases is cited. While these sustain the jurisdiction of the Supreme Court under the facts and circumstances therein related, not one of these cases is concerned with the Declaratory Judgment Act, the construction of which, so petitioners allege, is involved by the questions presented in the Petition.

III. QUESTIONS PRESENTED.

(1) Petitioners have not completely stated the facts upon which their first question is bottomed.

The notices of infringement to respondent are the letters of March 20 and March 22. Each of these letters contains more than a bare notice of infringement. The letter of March 20 (Rec. p. 25) stated, in addition to the notice, that "*unless infringement ceases, it will be necessary to take legal action.*" The letter of March 22 (Rec. p. 27) speaks of adjusting "*our differences,*" and states that "*Lawsuits are very expensive and very annoying.*"

The Circuit Court of Appeals held that when The Girdler Corporation wrote the letter of March 20 and notified respondent that it infringed the patent and warned of an infringement suit, all the elements of a controversy essential to a Declaratory Judgment action were present (Rec. p. 60). This ruling was in affirmance of the District Court.

(2) Petitioners have not correctly stated the facts upon which their second question is bottomed.

R. S. 4900, 35 U. S. C., Sec. 49,* in addition to stating that it is the duty of patentees and their assigns to mark properly patented articles, specifies that no damages shall be recovered by a plaintiff in an infringement suit who fails to mark properly the patented article, except on proof that

* Quoted on page 23 of petitioner's brief.

the defendant was duly notified of the infringement and thereafter continued with his infringing act.

As stated in our answer to question 1, *supra*, the letters of March 20 and March 22 went much further than to give a bare notice of infringement. The replies of Mr. Wallis to these letters were not fraudulent and not deceptive, nor are they properly described in the second footnote on page 5 of the Petition. Mr. Wallis's reply to Mr. Fairbank (Rec. p. 26) stated that he would communicate further with Mr. Cherry in response to the suggestions made by the latter. Mr. Wallis's reply to Mr. Cherry (Rec. p. 27) was that this present development of the continuous litigation was a surprise and stated that "naturally I wish to discuss it with our people. I will communicate further with you in the matter within the next few days." There was no promise made by respondent that it would consider the *suggestion of a license*, as petitioners incorrectly state in this footnote.

ARGUMENT.

Answer to Point I.

Petitioners request this Court to disturb the concurring holdings of the Delaware District Court and the Circuit Court of Appeals.

The letter of March 20, 1940, to respondent was more than a bare notice of infringement; it contained a *threat to sue*. The letter of March 22, 1940, spoke of "*our differences*" and hinted rather broadly as to the possibility of further costly and annoying litigation. As petitioners pose their first question in their Petition, they omit mention of these threats and implications. We fail to see how, under the facts present in the case at bar, the decision of the Circuit Court of Appeals nullifies in practical effect R. S. 4900 as petitioners allege.

It is a well-settled rule of this Court that it will not disturb concurring findings of a District Court and a Circuit Court of Appeals, except in the case of the clearest error (*Charleston Mining Co.* v. *United States,* 273 U. S. 220, 223, and the many cases there cited).

Moreover, the question propounded in petitioners' *Point I* is not of broad and public interest either to a patent owner or to the public at large. A writ of certiorari is not granted except in cases involving principles the settlement of which is of importance to the public as distinguished from that of the parties, and in cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals. The present case certainly comes under neither head (*Layne et al.* v. *Western Well Works,* 261 U. S. 387, 393).

Obviously, it is not to be expected that the Vogt Reissue patent would be immediately and without question honored by respondent on receipt of the letters of March 20 and March 22 from the petitioners, which imparted to respondent the first knowledge that the reissue patent had been granted by the Patent Office. This reissue patent was of dubious ancestry. The original Vogt patent had been adjudicated invalid in the *Abbotts Dairies* case on the ground that the invention described and claimed in it was completely anticipated by the prior art at all points. Statutory disclaimers of the claims adjudicated to be invalid because of the prior art Meisenhelter patent, a file-wrapper reference (24 F. Supp. 551, 556), had been filed, which disclaimers proclaimed that Vogt had claimed in his original patent more than that of which he was the original or first inventor or discoverer (*Cartridge Co.* v. *Cartridge Co.,* 112 U. S. 624, 645; *Altoona Theatres* v. *Tri-Ergon Corp.,* 294 U. S. 477, 492; *Maytag Co.* v. *Hurley,* 307 U. S. 243, 245; *Triplett* v. *Lowell,* 297 U. S. 638, 643). The original patent was re-

issued more than nine years after its grant, and more than four years after respondent had been continuously engaged in manufacturing and selling the accused ice cream freezers (*Sontag Stores Co.* v. *Nut Co.*, 310 U. S. 281, 295). Respondent knew, as petitioners should have known, that the grant of a reissue patent requires that the reissue patent must be for the same invention as the original patent (*Manufacturing Company* v. *Ladd*, 102 U. S. 408, 414; *Eby* v. *King*, 158 U. S. 366, 374; *Sontag Stores Co.* v. *Nut Co.*, 310 U. S. 281, 288). As a corollary, if the original patent has been adjudicated to be void because the invention is completely anticipated by the prior art, then *a priori* the reissue patent is likewise void.

With this dubious ancestry of the Vogt Reissue patent, respondent was not going to remain inactive and again risk his business by permitting another customer to become engulfed in a second infringement suit involving an alleged invention that the Courts had held to be completely anticipated. The *Abbotts Dairies* case was a suit brought by petitioners against respondent's customer in Philadelphia rather than against respondent in Chicago. Faced with these considerations, respondent's primary interest in filing the Declaratory Judgment action in Delaware was to invoke such legal remedy as was available to it for the purpose of protecting its business from a second attack upon another customer who would be harassed as Abbotts Dairies, Inc., had been in the first infringement suit.

Respondent could not have sued petitioners in the Illinois District Court because The Girdler Corporation is a corporation organized under the laws of the State of Delaware. It is a patent-holding company only, and does not manufacture and sell ice cream freezers. Cherry-Burrell Corporation is likewise a corporation of the State

of Delaware. Therefore, the only means by which respondent could protect its business and its customers was in a Declaratory Judgment action filed in the District of Delaware, where jurisdiction against petitioners was obtainable. This was deemed to be the most expeditious way to settle this renewed controversy regarding respondent's right to manufacture and sell its ice cream freezers.

The Circuit Court of Appeals in the case at bar bases its ruling on *Aetna Life Insurance Co.* v. *Haworth*, 300 U. S. 227 (Rec. p. 60), and petitioners accept this authority on page 8 of their brief as being a proper construction of the Federal Declaratory Judgment Act.

In view of the foregoing background and environment in which the instant controversy arose, all of the elements of an actual controversy essential to a Declaratory Judgment action as set forth in the *Aetna Life Insurance* case, *supra*, were present when respondent filed its Complaint in the Delaware District Court.

The following authorities cited by petitioners on pages 9 and 10 of their brief do not conflict with the decision of the Circuit Court of Appeals for the Third Circuit in the case at bar.

In the *Board of Com'rs for Buras Levee District* v. *Cockrell*, 91 F. (2d) 412 (C. C. A. 5), the Court found that an "actual controversy" was not shown because there was present only a difference of opinion between the parties as to the scope of a former decree as it might affect *possible controversies* that might develop in the future over unascertained tracts of land.

In *New Discoveries, Inc.* v. *Wisconsin Alumni Research Foundation*, 13 F. Supp. 596 (W. D. Wis., 1936), an actual controversy did not exist between the parties, because neither the plaintiff there nor its customers were using the alleged infringing process, and plaintiff's cus-

tomers had merely been warned that if they did use the process they would infringe. The Court held that the dispute was academic and was based upon a purely hypothetical statement of facts that were contingent, uncertain, and might never exist (p. 598).

In *Petersime Incubator Company* v. *Bundy Incubator Company et al.*, 34 U. S. P. Q. 251 (D. C. Ohio, 1937), it does not appear that plaintiff had been threatened with suit because of the alleged infringement of defendant's patent. But the Complaint on its face did allege sufficient facts to warrant an inference of bad faith on the part of the defendant. For this reason the Court ruled that the Declaratory Judgment Act on the question of infringement was properly invoked.

United States v. *West Virginia et al.*, 295 U. S. 463 (1935), involved a question of the original jurisdiction of this Court. The Declaratory Judgment Act was not involved, but this Court held that the Complaint, at most, stated only a difference of opinion between the officials of the government of the United States and the government of the State of West Virginia. This Court said (p. 474):

> ". . . Until the right asserted is threatened with invasion by acts of the State, which serve both to define the controversy and to establish its existence in the judicial sense, there is no question presented which is justiciable by a federal court."

On page 12 of petitioners' brief under Section B it is stated that this Court has not settled the question as to whether or not the taking of adverse positions is essential to the existence of an "actual controversy." The authorities here cited, including *Aetna Life Insurance Co.* v. *Haworth, supra*, all support the ruling of the Circuit Court of Appeals in the case at bar, and they do not show any conflict of decision.

This Court in its opinion in the *Aetna* case answered squarely petitioners' question as follows:

> "A 'controversy' in this sense must be one that is appropriate for judicial determination. . . . The controversy must be definite and concrete, touching the *legal relations of parties having adverse legal interests.* . . . It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts." (300 U. S. 227, 240-241.)

We submit that the following additional authorities squarely establish that, under the facts and circumstances in the case at bar, an "actual controversy" existed when respondent filed its Declaratory Judgment action in the Delaware District Court:

Milwaukee Gas Specialty Co. v. *Mercoid Corporation*, 104 F. (2d) 589, 591 (C. C. A. 7, 1939).

E. W. Bliss Co. v. *Cold Metal*, 102 F. (2d) 105, 108 (C. C. A. 6, 1939).

United States Fidelity & Guaranty Co. v. *Koch et al.*, 102 F. (2d) 288, 294-295 (C. C. A. 3, 1939).

Samuel Goldwyn, Inc., et al. v. *United Artists Corp.*, 113 F. (2d) 703, 707 (C. C. A. 3, 1940).

Caterpillar Tractor Co. v. *International Harvester Co.*, 106 F. (2d) 769, 772-774 (C. C. A. 9, 1939).

Engler v. *General Electric Co.*, 29 F. Supp. 421, 422 (S. D. N. Y., 1939).

Duro Test Corp. v. *Welsbach Street Lighting Co. et al.*, 21 F. Supp. 260, 261 (D. C. Del., 1937).

B. F. Goodrich Co. et al. v. *American Lakes Paper Co.*, 23 F. Supp. 682, 686 (D. C. Del., 1938).

Borchard on Declaratory Judgments, pp. 40 and 48-50, inc.

University of Chicago Law Review (Borchard), Vol. 4, December, 1936, No. 1, p. 28.

In the case of *Milwaukee Gas Specialty Co., supra,* Mercoid, having been notified of the alleged infringement of a patent owned by Milwaukee Gas, was informed by letter that unless it accepted a license under the patent within 10 days, a patent infringement suit would be brought against it. *Without waiting for the 10-day ultimatum to expire, Mercoid, petitioner, filed in the Wisconsin District Court a Declaratory Judgment action against Milwaukee Gas, respondent, challenging the validity of the patent and denying the charge of infringement. This was Mercoid's only response to the letter from Milwaukee Gas.*

Subsequently, Milwaukee Gas, as plaintiff, filed an infringement action against Mercoid, as defendant, in the Illinois District Court. The reported decision of the Court of Appeals deals with a motion brought by Mercoid in the Illinois suit after Answers had been filed in both the Declaratory Judgment Wisconsin suit and in the Illinois infringement suit.

However, the record in the case at bar establishes that Milwaukee Gas moved to dismiss the Declaratory Judgment suit prior to Answer, and that the Court denied the motion in an Order entered on July 16, 1938 (Rec. pp. 39-42). One of the grounds urged by Milwaukee Gas in the motion to dismiss was that because Mercoid had filed its Declaratory Judgment action before the expiration of the 10-day period allowed by the patent owner for Mercoid to take a license, the Declaratory Judgment action was not proper for the purpose for which Declaratory Judgment suits are intended.

In the Illinois patent infringement suit, the Circuit Court of Appeals for the Seventh Circuit squarely answered in the negative the contention which petitioners present to this Court. As we have pointed out, the Declaratory Judgment suit in Wisconsin was filed within

a few days of the threat to commence suit and before the 10-day ultimatum expired, just as in the case at bar, and the infringement suit in Illinois was filed a few weeks thereafter, just as in the case at bar.

The reported case came before the Circuit Court of Appeals on the denial of Mercoid's motion in the Illinois suit for a preliminary injunction to restrain Milwaukee Gas from prosecuting its infringement action pending final determination of the Declaratory Judgment suit in Wisconsin. In speaking of the Wisconsin suit, Judge Kerner said (p. 591):

> "It is clear that plaintiff claims that defendant's Mercoid Sensatherms infringe a patent which it owns and which it claims is valid. The defendant denies the validity of the patent and that its product infringes *and by its petition in the declaratory judgment proceedings so notified the plaintiff*. Under such circumstances they stand opposed to each other in respect to legal rights and obligations and a case is presented that is appropriate for judicial determination. *Aetna Life Insurance* v. *Haworth*, 300 U. S. 227, . . . and *E. W. Bliss Co.* v. *Cold Metal Process Co.*, . . . 102 F. 2d 105."

The above authorities show no conflict of decision and clearly establish that a notice of infringement and a threat to take legal action, without more, is such a denial and challenge of a party's right to continue its manufacture and sale of the accused device as to create an actual justiciable controversy and to entitle the threatened party to bring a Declaratory Judgment action. In the case at bar, the Courts below were correct in ruling that an actual justiciable controversy arose between the parties here upon receipt by respondent of the letter of March 20, 1940.

Under Section C on pages 12 to 14 of petitioners' brief, the question is posed as to the proper exercise of discretion of a court in declining jurisdiction under the Declara-

tory Judgment Act where there is a pending suit involving the same issues.

There is no conflict of decision, particularly when the pending suit was filed subsequently to the Declaratory Judgment action, and when both actions involve the same parties, the same issues, and the same legal principles, as the Circuit Court of Appeals has held in the case at bar, which Court also held that petitioners have not been deprived of any rights (Rec. p. 59).

Again the Circuit Court of Appeals for the Seventh Circuit, in the *Milwaukee Gas Specialty Co.* case, *supra,* answered petitioners' question where the Court said:

> ". . . But that controversy [the Illinois infringement suit], says the plaintiff, must be determined in the instant case, otherwise it would be deprived of its statutory right to prosecute infringers. With this contention, under the facts in this case, we cannot agree.
>
> . . . . . .
>
> "The general rule is that the court first acquiring jurisdiction is entitled to maintain it until its duty is fully performed, and the jurisdiction involved is exhausted. . . . In *Kline* v. *Burke Construction Co., supra,* 260 U. S. at page 231, 43 S. Ct. at page 82, 67 L. Ed. 226, 24 A. L. R. 1077, the court in discussing this rule said:
>
> "'The rule is not only one of comity, to prevent unseemly conflicts between courts whose jurisdiction embraces the same subject and persons, . . . "It is a principle of right and law, and therefore of necessity. It leaves nothing to discretion or mere convenience."'
>
> "We conclude, therefore, that the jurisdiction involved by the two suits was concurrent and since the petition in the Wisconsin district court [the Declaratory Judgment action] was filed prior to the complaint in the instant case, the jurisdiction of the Wisconsin court first attached and the order of the Illinois district court must be reversed and the cause remanded for further proceedings not inconsistent with this opinion." (104 F. (2d) 589, 591-592.)

These additional authorities are to the same effect:

E. W. Bliss Co. v. *Cold Metal Process Co.*, 102 F. (2d) 105, 109 (C. C. A. 6).

Employers' Liability Assur. Corp. Ltd. v. *Ryan et al.*, 109 F. (2d) 690, 691 (C. C. A. 6).

Samuel Goldwyn, Inc., et al. v. *United Artists Corp.*, 113 F. (2d) 703, 709 (C. C. A. 3).

Silvray Lighting, Inc. v. *Versen et al.*, 25 F. Supp. 223, 224 (S. D. N. Y., Judge Patterson).

Rules of Civil Procedure, 28 U. S. C., pars. 723b, 723c, Rule 57.

The cases cited on pages 12 to 14 of petitioners' brief are not in point, or now lack authority. The case of *Rogers* v. *Guaranty Trust Co. of New York*, 288 U. S. 123, decided in 1933, was not concerned with the Declaratory Judgment Act. This authority will be discussed further under our answer to *Point II.*

In *American Automobile Ins. Co.* v. *Freundt et al.*, 103 F. (2d) 613, the Declaratory Judgment action was held to have been properly dismissed because the relief sought therein could be obtained in a pending suit in a state court, which suit was filed prior to the Declaratory Judgment action.

The cases of *Zenie Bros.* v. *Miskend et al.*, 10 F. Supp. 779 (S. D. N. Y., 1935); *Automotive Equipment, Inc.* v. *Trico Products Corp.*, 11 F. Supp. 292 (W. D. N. Y., 1935); and *Acticarbone Corp.* v. *National Carbon Co.* (unreported), (S. D. N. Y., 1936), were all determined before the Rules of Civil Procedure were adopted, which was in September, 1938.* (See *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. (2d) 105, 109 (C. C. A. 6, 1939).)

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* Rule 57 reads in part as follows:

". . . The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate. The court may order a speedy hearing of an action for a declaratory judgment and may advance it on the calendar."

Furthermore, in the *Zenie Bros.* case, the motion to dismiss the Declaratory Judgment action was *denied;* in the *Automotive Equipment* case the Declaratory Judgment action was not brought *until after* infringement suits on the same patents had been brought; and in the *Acticarbone* case the Court stressed the fact that the petition for a Declaratory Judgment, even after amendment, was defective in various respects (Rec. p. 44).

In *Aetna Casualty & Surety Co.* v. *Yeatts,* 99 F. (2d) 665 (C. C. A. 4, 1938), the Court found that the Complaint filed in the Declaratory Judgment action stated an actual controversy between the parties, relying upon this Court's decision in *Aetna Life Insurance Co.* v. *Haworth, supra.* By way of *dictum,* the Court in *Aetna* v. *Yeatts* said that the benefits under the Declaratory Judgment Act should not be extended to decide the disputed question if the result would be merely to anticipate the trial of an issue involved in a pending case, or to try a controversy piecemeal without complete decision of the matters in dispute (p. 669).

The decision in the case at bar of the Circuit Court of Appeals for the Third Circuit which petitioners ask this Court to review, has not, as petitioners allege, brought into a state of further confusion and uncertainty the construction put upon the Declaratory Judgment Act by the federal courts and other authorities, but merely follows the accepted construction of that Act.

Answer to Points II and III.

Petitioners' captions under these points are not supported by their argument or by the authorities cited. There is no probable or even possible conflict between the decision of the Circuit Court of Appeals in the case at bar and the decision of this Court in the case of *Aetna Life Insurance Co.* v. *Haworth,* 300 U. S. 227, under the

facts and circumstances here present which have been fully stated above.

The case of *Rogers* v. *Guaranty Trust Company of New York et al.*, 288 U. S. 123, mentioned above and referred to on pages 12 and 15 of petitioners' brief, was a stockholders' suit brought in a New York Court against a New Jersey corporation having its "principal and registered office" in New Jersey, and its "principal place of business" in New York. This Court, in approving the refusal of the New York Federal District Court to accept jurisdiction of this stockholders' suit, stated the settled doctrine to be that a Court

> ". . . sitting in one State will as a general rule decline to interfere with or control by injunction or otherwise the management of the internal affairs of a corporation organized under the laws of another State but will leave controversies as to such matters to the courts of the State of the domicile."

There can be no conflict of decision between the *Rogers* case and that of the Circuit Court of Appeals in the case at bar. The instant case does not involve the management of the internal affairs of either of the petitioner corporations, and the action here was brought in Delaware, the domicile of both petitioners. There is nothing in the *Rogers* case to suggest, as petitioners imply, that the location of the "main offices" of the parties should be in any way controlling. In fact, the main office of the defendant corporation in the *Rogers* case was located in New York, *where jurisdiction was declined.*

In *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, this Court said (p. 245):

> "But the courts of equity do not make the quality of suitors the test. *They apply the maxim requiring clean hands only where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the*

> *matter in litigation.* They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but *only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.*"

In the case at bar, the Circuit Court of Appeals properly held that respondent was not guilty of any unconscionable conduct, but that petitioners' interpretation of the correspondence between the parties was completely unrealistic. Further, that even if petitioners "could have been misled by the tone of the plaintiff's [respondent's] replies, they have not been deprived of any rights" (Rec. p. 59). The *Keystone* case has no bearing on the facts in the case at bar and there is no conflict of decision.

Likewise, the decision of this Court in the case of *R. H. Stearns* v. *United States*, 291 U. S. 54, has no possible bearing upon the decision of the Circuit Court of Appeals in the case at bar. In the *Stearns* case this Court held that a taxpayer who, by tendering a signed waiver of the statutory period of limitations, had induced the Commissioner to delay acting on certain claims until after the statutory period had run, could not thereafter defeat the waiver and invoke the period of limitation, even though the Commissioner had not formally approved the waiver until after the period had run. The case at bar involves no period of limitation, no estoppel against respondent, and no omission induced by respondent.

The statement on page 16 of petitioners' brief that the case at bar presents a further question as to whether the Declaratory Judgment Act is to be construed as so far distant from the field of equity that the doctrine of unclean hands is without application in actions instituted under the Declaratory Judgment Act, is entirely without foundation. Both the District Court and the Circuit

Court of Appeals, in considering the case at bar, treated this Declaratory Judgment action as an equitable action, and the Court of Appeals properly found that the facts in this case do not warrant the application of the doctrine of unclean hands. Neither court drew any distinction between a Declaratory Judgment action for equitable relief and any other equitable action.

As we have heretofore shown, the decision of the Circuit Court of Appeals in the instant case is not of far-reaching effect in the field of patent law, it does not condone conduct which is other than honest and fair, and it does not involve any question of public interest. There are, in fact, no questions involved here which need be reviewed by this Court.

Conclusion.

The Petition raises no questions pertaining to conflict of decision respecting the interpretation of the Federal Declaratory Judgment Act as applied in the broad field of patent cases. The decision of the Circuit Court of Appeals for the Third Circuit in the case at bar is correct. In reason and authority, the Petition should be denied by this Honorable Court.

Respectfully,

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